

**PUBLIC DISCLOSURE**

January 9, 2001

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**LYNN TEACHERS CREDIT UNION**

14 CENTRAL AVENUE  
LYNN, MA 01901

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **LYNN TEACHERS CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of January 9, 2001.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

This rating is based on the credit union's performance under three of the five criteria for small institutions: loan-to-share ratio; lending to members of different income levels, and Fair Lending.

During the period June 30, 1999 through December 31, 2000, the credit union's loan to share ratio has fluctuated from a low of 59.3 percent on June 30, 1999 to a high of 70.7 percent on December 31, 1999. The credit union has demonstrated an average loan-to-share ratio of 64.5 percent during the previous two years. The credit union's lending to borrowers of different income levels is considered reasonable. During the period reviewed, the credit union extended 11.4 percent of its loans to low-income borrowers and 65.7 percent of its loans to moderate-income borrowers. Finally, the credit union has not received any CRA-related complaints since the previous examination and fair lending policies and procedures are considered adequate given the credit union's size and resources.

## **PERFORMANCE CONTEXT**

## **Description of Institution**

The Lynn Teachers Credit Union was founded as a state- chartered industrial credit union in 1935. Membership in the credit union is limited to employees of the Lynn Teachers Credit Union, employees of the Lynn School Department, organizations of said employees, former employees on pension and their immediate family members. The credit union has one office, located at 14 Central Avenue, Lynn, Massachusetts. The hours of operation are Monday, Tuesday, Wednesday and Thursday 9:00 a.m. to 3:30 p.m.

The credit union does not have check cashing ability, and instead provides members with a correspondent bank in the area which will cash checks drawn on the credit union. The credit union's web site [www.LTCU.com](http://www.LTCU.com) provides membership applications, loan applications and up to date information regarding loan rates. The credit union currently does not offer any Automated Teller Machines.

As of December 31, 2000, the credit union had total assets of \$2.9 million, of which \$1.6 million was in the form of loans. The credit union had an average loan-to-share ratio of 64.5 percent. The bank's loan portfolio consisted of 51.6 percent unsecured loans, 42.5 automobile loans, and 5.9 percent home improvement loans. This breakdown indicates a change in the loan portfolio since the previous exam. At the last examination, 51.1 percent of the portfolio was comprised of automobile loans and 37.4 percent was comprised of unsecured loans.

The credit union does not offer residential mortgage loans. The types of credit offered include automobile, boat and RV loans with maximum loan amounts of \$30,000, home improvement and unsecured loans to \$15,000, and share secured loans to \$10,000. The credit union also offers unsecured special seasonal loans called holiday and vacation loans with maximum amounts of \$4,000. These products are two-year term notes at a rate of 10 percent with payments deferred to either the first week back to school or first week back from vacation.

The credit union was last examined for compliance with the Community Reinvestment Act by the Commonwealth of Massachusetts Division of Banks on April 13, 1998. That examination resulted in a CRA rating of "Satisfactory".

## **Description of Assessment Area**

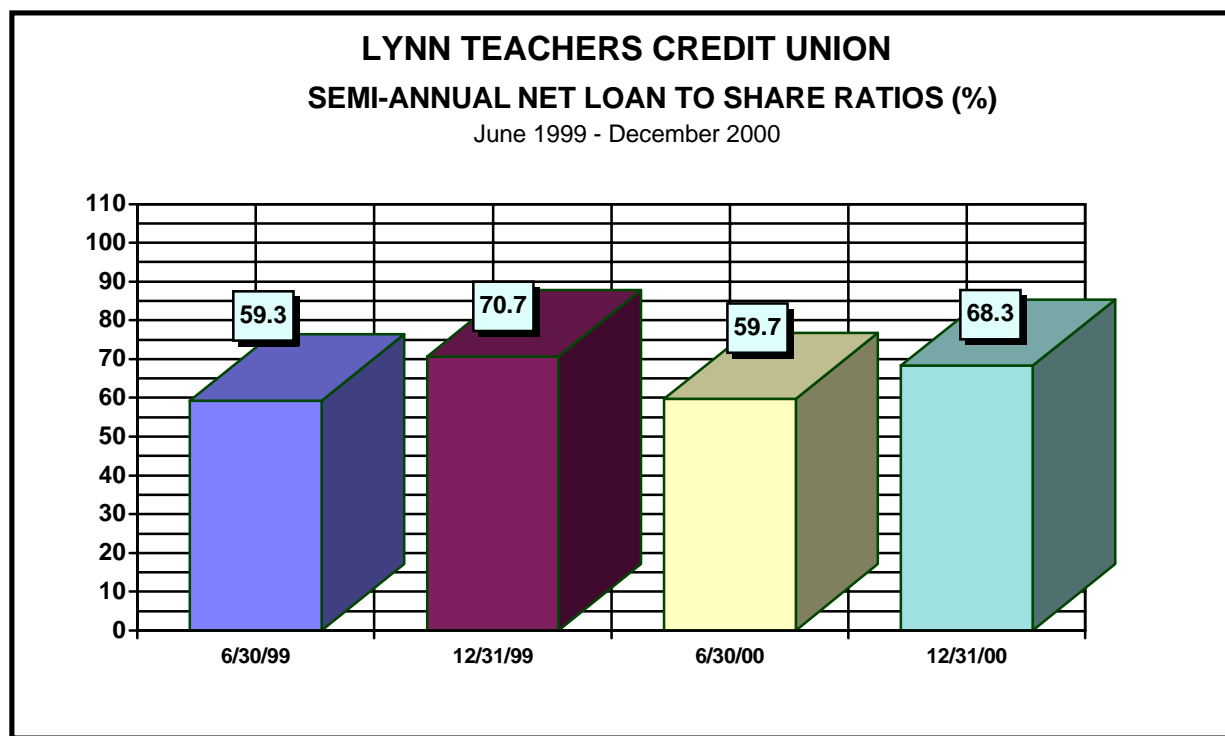
Under the Massachusetts CRA Regulation 209 CMR 46.41, a credit union not serving a defined geographic area and whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. Lynn Teachers Credit Union has elected to identify its membership as its assessment area.

## **PERFORMANCE CRITERIA**

### **1. LOAN-TO-DEPOSIT (SHARE) ANALYSIS**

An analysis of Lynn Teachers Credit Union's loan-to-deposit (share) ratio was performed during the examination. The calculation incorporated the net loan to total share ratios derived from four semi-annual N.C.U.A. 5300 Call Reports. This review included the reports from June 30, 1999 through December 31, 2000. The institution's average loan-to-share ratio for the period under review was determined to be 64.5 percent. As indicated below, the loan-to-share ratio has fluctuated over the past two years.

The following graph is provided for further analysis.



The asset size of the institution has increased from \$2.7 million as of December 31, 1998 to \$2.9 million as of December 31, 2000, which represents an 8.4 percent increase. During this time, net loans increased approximately 0.8 percent, while shares increased approximately 6.1 percent.

It is important to note that most members are paid on a ten-month calendar that corresponds with the school year. This has resulted in significant fluctuations in asset size and shares with the peak time for cash on hand and deposits occurring in the month of June. In fact, the credit union's asset size increased to a high point of approximately \$3.2 million as of June 30, 1999 and \$3.4 million as of June 30, 2000, respectively. This was in sharp contrast to the December 1999 and 2000 asset positions of \$2.7 million and \$2.9 million, respectively. Correspondingly, share deposits were also highest in June with \$2.7 million and \$2.9 million respectively as opposed to the December figures of \$2.2 million and \$2.4 million. Loans have remained relatively static at a range between approximately \$1.6 and \$1.7 million. With asset and deposit shares rising to their highest levels in the month of June and loans remaining relatively constant, fluctuations in the net loan-to-share ratio as well as net loan-to-asset ratio would be expected. As a result, the existing loan to share ratios and the average ratio appear to be adequate.

Based on the above information and analysis the credit union's loan-to-share ratio is considered to meet the standards for satisfactory performance.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

As mentioned above, a credit union whose membership by-law provisions are not based on residence, such as the Lynn Teachers Credit Union, may define its assessment area as its membership. As such, a geographic analysis of the distribution of credit inside and outside of the assessment area is not considered meaningful.

## **3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

The credit union's consumer loans were analyzed to determine the distribution of lending by borrower income level. The members' reported incomes were compared to the 1999 and 2000 median family incomes for the Boston Metropolitan Statistical Area (MSA). These income figures (\$62,700 for 1999 and \$65,500 for 2000) are based on estimated Department of Housing and Urban Development (HUD) information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median family income level for the MSA. Upper-income is defined as income equal to or greater than 120 percent of the median family income level for the MSA.

A review of the consumer loan portfolio indicated that the credit union extended 266 consumer loans in 1999 and 269 consumer loans in 2000. In order to analyze the consumer loans in terms of income of the borrower, a sample of 70 approved loans was reviewed for the period. This sample consisted of 35 loans for 1999 and 35 loans for 2000.

The following table provides more detail on the income levels of the consumer loan sample.

#### **CONSUMER LOAN DISTRIBUTION ACCORDING TO BORROWER INCOME**

% OF MEDIAN MSA INCOME	1999		2000		Total	
	#	%	#	%	#	%
< 50%	5	14.3	3	8.6	8	11.4
50 – 79%	19	54.3	27	77.1	46	65.7
80 – 119%	6	17.1	3	8.6	9	12.9
> = 120%	5	14.3	2	5.7	7	10.0
<b>Total</b>	<b>35</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>70</b>	<b>100.0</b>

Source: Consumer loan sample data for the period 1/1/99 to 12/31/00.

The review indicated that 11.4 percent of the loans were made to low-income borrowers and 65.7 percent were made to moderate-income borrowers. This distribution demonstrates a strong penetration among moderate-income individuals. It should be noted that consumer loans typically consider only the income of one applicant, therefore when comparison is made to median family income, it has the effect of inflating the distribution to low and moderate-income borrowers. However, in the case of this credit union, there were many instances where more than one salary was considered.

Considering these factors, the record of lending to members of different incomes particularly those of low and moderate-income is considered to meet the standards for satisfactory performance.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

As mentioned above, the Massachusetts CRA regulation, 209 CMR 46.41 allows credit unions whose membership by-law provisions are not based on residence to delineate their membership as their assessment area. Therefore, since the Lynn Teachers Credit Union has defined its assessment area as its membership, a geographic analysis of the distribution of loans was not conducted.

#### **5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

##### **REVIEW OF COMPLAINTS**

A thorough review of the public comment file revealed that the credit union received no complaints pertaining to the institution's CRA performance since the previous examination.

## **FAIR LENDING POLICIES AND PRACTICES**

The credit union has adopted its own formal written Community Reinvestment and Fair Lending Policy. Detailed below is the credit union's fair lending performance as it relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

### **Staff Training**

There has been no formal fair lending training during the time period covered by this examination.

### **Staff Composition and Compensation**

The credit union staff consists of one full-time employee and one part-time employee. The credit union does not compensate its loan originator on a commission basis, thereby encouraging loans of all amounts including those to low and moderate-income individuals.

### **Outreach**

Literature is available to members and potential members, through mailings, postings and handouts. The credit union office keeps these materials readily available at all times.

### **Credit Products and Underwriting Standards**

The credit union offers automobile loans, collateral loans, home improvement loans, personal loans and share secured loans.

Credit products and underwriting standards are reviewed on a continual basis to ensure that the credit needs of the membership are met and that no member is arbitrarily excluded from qualifying for a loan, especially those members of low and moderate-income.

### **Marketing**

The credit union distributes credit product information through posting notices in school department lobbies, mailings and handouts.

### **Credit Education**

The credit union does not participate in any credit education programs. However, the credit union refers members to First Time Homebuyer seminars, which are sponsored by H and R Block Mortgage Company.

### **Counseling**

Management of the credit union works with individuals with credit problems. They work on consolidating all debt and educating them on their financial situations.

### **Second Review Practices**

Prior to denial notification, the loan officer reviews all denied loans. The denied loans are then referred to the Board of Directors.

Often additional documentation is requested. Once provided, the loan is reviewed and re-evaluated.

### **Internal Control Procedures**

The credit union's manager reviews each loan before it is processed. A loan checklist is used to ensure accuracy.

### **Minority Application Flow**

Since federal and state law prohibit the collection of racial data on consumer loans, determination of the minority application flow was not possible.



**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**LYNN TEACHERS CREDIT UNION**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **January 9, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.